

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 DOEE-00 NRC-05 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10
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R 082157Z JUN 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7657
INFO AMEMBASSY MOSCOW
AMCONSUL LENINGRAD
AMCONSUL CALGARY

C O N F I D E N T I A L OTTAWA 02896

LENINGRAD FOR DR. SLATER
PASS DOE FOR PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR
- INTERNATIONAL AFFAIRS WALT MCDONALD
DOE/FERC FOR CHAIRMAN CURTIS

E.O. 11652: GDS
TAGS: ECEM, ENRG, CA, UR, US
SUBJECT: CANADIAN INTEREST IN "TRILATERAL" NATURAL GAS
PROJECT

REF: MOSCOW 12359

1. SUMMARY. PROPOSED "TRILATERAL" PROJECT IS NOT
CANADIAN GOVERNMENT INITIATIVE AND HAS NO OFFICIAL
STANDING AT PRESENT. HOWEVER, PROJECT IS BEING PROMOTED
BY VERY POWERFUL, INFLUENTIAL ALBERTA ECONOMIC INTERESTS
WHO COULD CONCEIVABLY SPARK GOC INTEREST IN PROPOSAL OVER
LONGER TERM. END SUMMARY.

2. EMBASSY DEVELOPED FOLLOWING BACKGROUND ON CANADIAN
INTEREST IN PROPOSED GAS PROJECT DISCUSSED REFTEL.
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3. EXTAFF OFFICIAL RALPH LYSYSHYN, WHO ACCOMPANIED
USA/CANADA INSTITUTE DIRECTOR ARBATOV DURING HIS CANADIAN
VISIT, TOLD US THAT PROJECT WAS DESCRIBED TO ARBATOV BY
ITS PROPONENTS, CALGARY INDUSTRIALIST AND PIPELINE CON-
STRUCTION CONTRACTOR FRED MANNIX (LORAM INTERNATIONAL
LTD.), ARNOLD SMITH, FORMER CANADIAN AMBASSADOR IN

MOSCOW; AND FORMER NATIONAL ENERGY BOARD (NEB) CHAIRMAN MARSHALL CROWE WHO EARLIER IN HIS GOVERNMENT CAREER ALSO SERVED AT CANADIAN EMBASSY MOSCOW. ACCORDING TO LYSYSHYN, SMITH CORRESPONDED WITH ARBATOV ABOUT PROJECT PRIOR TO HIS CANADIAN VISIT. MANNIX, SMITH AND CROWE HOSTED DINNER FOR ARBATOV WHILE HE WAS IN CANADA DURING WHICH THEY OUTLINED PROPOSAL FOR COOPERATIVE EFFORT TO DEVELOP AS YET UNDELINEATED YAKUTSK GAS FIELDS AND CONSTRUCT PIPELINE OVERLAND AND ACROSS BERING STRAIT TO LINK WITH ALCAN SYSTEM. MANNIX CHARACTERIZED PROPOSAL AS "PROJECT FOR THE 1990'S."

4. LYSYSHYN NOTED THAT CROWE AND MANNIX HAVE JUST RECENTLY DISCUSSED PROJECT WITH ASSISTANT SECRETARY OF STATE JULIUS KATZ, DEPUTY ASSISTANT SECRETARY OF ENERGY FOR INTERNATIONAL AFFAIRS WALTER MCDONALD AND FERC CHAIRMAN CHARLES CURTIS. LYSYSHYN TOLD US THERE IS NO OFFICIAL GOC INTEREST IN PROJECT.

5. MATT SCHWARZ, SENIOR ADVISOR FOR GAS AT DEPARTMENT OF ENERGY MINES AND RESOURCES (EMR) CONFIRMED PROJECT HAS NOT BEEN DISCUSSED WITH HIS AGENCY AND THAT EMR HAS NO OFFICIAL INTEREST IN PROJECT.

6. WE ALSO DISCUSSED PROPOSED PROJECT WITH BILL SCOTLAND, NEB ASSOCIATE VICE CHAIRMAN AND BOARD'S DESIGNATED OFFICER
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IN NORTHERN PIPELINE AGENCY. SCOTLAND HAS MADE NUMEROUS OFFICIAL TRIPS TO SOVIET UNION AND IS FAMILIAR WITH SOVIET EFFORTS TO DEVELOP SIBERIAN GAS RESOURCES. HE OBSERVED THAT WHILE PROJECT IS CLEARLY VERY LONG RANGE, HIGHLY SPECULATIVE PROSPECT AND THERE IS NO "OFFICIAL" GOC INTEREST IN IT PER SE AT THIS STAGE, ITS PROPONENTS ARE PROMINENT, RESPECTED MEMBERS OF CANADIAN ESTABLISHMENT WHOSE VIEWS ARE VERY INFLUENTIAL ON OTTAWA SCENE. SCOTLAND ADDED THAT ALTHOUGH GAS RESERVES INVOLVED IN PROPOSAL ARE AS YET UNDELINEATED THEY ARE KNOWN TO BE PRODIGIOUS. SCOTLAND BELIEVES PROJECT PROPOSAL IS SERIOUS AND BEARS WATCHING.

7. COMMENT BY CONGEN CALGARY: MANNIX IS WELL AND FAVORABLY KNOWN TO CONGEN. ALTHOUGH PROPOSAL MIGHT SEEM A BIT FARFETCHED, IT MUST BE TAKEN SERIOUSLY IF MANNIX IS PROMOTING IT. LORAM CONGLOMERATE IS PRIVATELY OWNED AND TIGHTLY CONTROLLED BY MANNIX FAMILY AND PROBABLY HAS ASSETS VALUED AT DOLS 300 MILLION. ITS INTERESTS INCLUDE PIPELINING; RAILROAD, IRRIGATION, HIGHWAY, DAM AND AIRPORT CONSTRUCTION; CONTRACT SURFACE MINING AND MINERALS AND PETROLEUM EXPLORATION. IT IS A TOUGH, NO-NONSENSE

BUSINESS ORGANIZATION AND REPRESENTS A GOOD DEAL OF THE
POLITICAL POWER BEHIND ALBERTA PREMIER PETER LOUGHEED.
SO-CALLED TRILATERAL PROJECT HAS BEEN DISCUSSED IN
ALBERTA PETROLEUM INDUSTRY CIRCLES. OTHER POTENTIALLY
INTERESTED PARTY IS DOME PETROLEUM PRESIDENT JACK
GALLAGHER.

8. EMBASSY COMMENT: EXTERNAL AFFAIRS DEPUTY UNDER
SECRETARY JOHNSTONE COMMENTED TO CHARGE THAT PROPOSAL
IS NOT A GOC INITIATIVE. JOHNSTONE ASSURED CHARGE THAT
IF GOC INTEREST IN PROJECT DOES DEVELOP, USG WILL HEAR
ABOUT IT FIRST FROM CANADA NOT USSR. DUEMLING

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